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XAAZ - 37302

8 July 1977

MEMORANDUM FOR: Chief, CI Staff

VIA : Chief, Policy and Coordination Staff

FROM : Chief, PCS/ITC

SUBJECT : Possible Leads in Case

AMS

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		ABSTRACT
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1. Although PCS/ITC does not have an action responsibility in the case, we have followed it closely and have undertaken a review of the case and associated files because it falls within the definition of international terrorism. Two items have arisen which we believe warrant further investigation by field stations. The first represents a possible link between individuals associated with and Orlando Letelier, the former Chilean ambassador to the United States who was assassinated in Washington, D.C. last September. The second item concerns two Germans, one or both of whom may possibly be the source or the sub-source of BND's report on the assassination plan against President Carter. Both individuals who have surfaced in our review are reportedly advisors to DINA. Both are former German military officers and one is wanted as a Nazi war criminal.

2. It was noted in 36266 (IN 244788) that the Chilean Department of Investigations (DGI) provided station with the following information: Manuel Montt Balmaceda, an alleged conspirator in a plot against President Carter, has a brother Raul who is married to one Maria Isabel L E T E L I E R Alcade. While Letelier is not an uncommon name in Chile, we believe it would be worthwhile to check and attempt to determine whether or not she is related to Orlando Letelier.

3. While examining the files on the Letelier case, we noted an extract from a Mexican newspaper article which discussed DINA. The February 1977 article noted that two former German officers were principal advisors to DINA. It was previously determined that BND's source or subsource is

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probably closely connected to DINA. One was Walter Rauff, a Nazi war criminal, and the second, Enrique Pschold Reschenback, a former Luftwaffe pilot. A check of HQS files showed no record of Reschenback, but there was a 201 on Rauff. Rauff was a professional German military officer who resigned from the Navy in 1937. He immediately joined the security police (Sicherheitsdienst-SD, and Sicherheitspolizei-SIPO) of the Reichsfuehrer-SS. He was a close friend of SS General Heydrich. By the end of the war he appears to have risen to the rank of Colonel in the SS. In 1945 he was arrested by U.S. Army officials in Italy but escaped. He showed up in Syria in 1948 working as an advisor to Syrian military intelligence, which he reportedly attempted to reorganize along gestapo lines. In 1949 he was arrested and accused of "terrorism," and was expelled from that country. He went via Italy to South America where he arrived in November 1949. In 1950 Italian intelligence officials were intercepting Rauff's mail to and from Italy because they suspected him of establishing an intelligence network which operated out of Ecuador. At that time several governments were looking for Rauff but his exact location in Ecuador was never determined. In 1958 he migrated to Chile and was granted permanent residence there in November 1959.

4. Since that time Rauff has been reportedly living as a farmer/rancher in Chile. He is also listed in Chilean records as an "industrialist." He worked at a number of firms between 1958 and 1964. In 1955 his son, Walter Jr. entered the Chilean Naval Academy. Walter Jr. was sponsored by General Carlos Prats, former commander-in-chief of the Chilean Army who became a supporter of the Allende government. Walter Jr. was granted Chilean citizenship circa 1960. A report from station in late 1974 describes Walter Rauff Sr. as a serious, responsible citizen and a highly respected member of the community who was living out his old age quietly while concentrating on his personal business activities. This portrait does not coincide with the Rauff who was investigated by an IZVESTIA correspondent who went to Chile looking for the SS officer who was allegedly responsible for the death of 90,000 Jews. Also in the early sixties the FRG had requested Rauff's extradition as a Nazi war criminal. The Chilean government refused to extradite him. The government of Chile commented that it had been protecting him and local authorities in his home town were charged with his physical protection.

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5. Rauff next appeared on the world scene in 1975 when it was alleged he had been appointed as head of DINA. This was denied by the Chileans and liaison informed the station that Rauff was not employed by the Chilean government in any capacity. In traffic dealing with this issue, [] station commented "although some years before he (Rauff) had been accused of organizing Nazi guerrillas for vague international operations against Jews, he was living a completely inoffensive life as a farmer/rancher."

6. Chilean political exiles have not agreed with the proposition that Rauff has no DINA connections. In February 1977, Chilean exiles in Mexico listed Rauff as one of DINA's principal advisors. In March 1976 [] station reported that Chilean resistance abroad had learned that Rauff was working within the interior ministry of the Chilean military government. The resistance organization passed information on Rauff to Simon Wiesenthal who directs the search for Nazi criminals from Vienna.

7. It would be pure speculation at this time to suggest that Walter Rauff, his son, Walter Jr. or Reschenback are the primary or secondary sources of the threat information received by BND. However, there are several connections which deserve further exploration. Montt's father was a lawyer whose chief clientele were German exiles and he had strong ties with the German exile community in Chile. Montt's brother Raul is characterized as a Nazi-type rightist. Rauff's son is a graduate of the Chilean Naval Academy and if he continued in his father's footsteps may be involved in intelligence. Rauff Sr., a former SS officer wanted as a Nazi war criminal, may have some close connection with DINA. BND has described its source as an older, retired businessman (Rauff is 71 years old and has apparently retired from business.) If Rauff, his son, or Reschenback are BND's sources of information then many of the questions on BND's handling of the case would be answered. Following 4 May roundtable discussion attended by the BND case officer, the Station reported in Germany 58698 (IN 274428) its conclusion that "the source is clearly of German origin, and is probably a former military officer who went to Chile after World War II." Later in Germany 60211 (IN 325690), Station states "we are fairly sure that the source was originally a German citizen, probably a Wehrmacht officer." BND has not been consistent when answering questions as to the nationality of the source. At one time the source was described as half German and half Chilean. At another he was reported to be Latin American. If BND is actually in contact with Rauff

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and has been for the last 20 years then there is definite reason for their being touchy and wishing to hide the fact that they are dealing with a Nazi war criminal. While Rauff is a wanted man he has in the past traveled to the FRG on a number of occasions reportedly using his true name. The use of a female case officer and female backup would also be a good method of maintaining contact with Rauff. BND's source fears for his life, as Rauff should. While DINA has denied that Rauff works with the Chilean government, he may well have been in the position of "unofficial advisor." The Chileans themselves would have no desire to attract world attention for having a Nazi war criminal as an advisor.

8. Rauff's 201 file is currently charged out to PCS/ITC and will be forwarded upon request. DDI/CRS maintains a file on Rauff that contains information that is for the most part gleaned from overt sources.

DDO/PCS/ITC/OSB:

jcb (8 July 1977)

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